Society, Environment, and Council Development Executive Advisory Board Report

Wards affected: All

Report of Chief Finance Officer

Author: Claire Morris

Tel: 01483 444827

Email: claire.morris@guildford.gov.uk

Lead councillor responsible: Michael Illman

Tel: 07742731535

Email: Michael.illman@guildford.gov.uk

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Business planning – General Fund outline budget 2017-18

Executive Summary

This report outlines the current position on the 2017-18 outline budget and asks the EAB to note the position and the proposed way of preparing a balanced budget and to pass any comments to the Executive.

The Joint EAB Budget Working Group (JEABBWG) has considered the outline budget, in particular the suggested growth and proposals for savings and additional income, and its comments are included at section 12.

The report explains that we have included government grant at a level based on the 4-year local government finance settlement issued by Government in February 2016 but that we will not know for certain the amount of our grant until central government releases the draft local government finance settlement in December. We have assumed a £5 (3.19%) increase in Council Tax and propose an update to our Medium Term Financial Strategy (MTFS), which is set out in Appendix 1.

The outline budget assumes a provisional Council Tax base is 55,791, which is 0.47% higher than 2016-17; however this figure will not be confirmed until 30 November. This has increased the resources available by approximately £40,800. At present, the figures assume no surplus or deficit on the collection fund for the current financial year.

The financial monitoring report for the first six months of 2016-17 will be reported to the Corporate Governance and Standards Committee on 24 November 2016. Section 9 covers the projected net expenditure on the General Fund for the current financial year, which is estimated to be £1.78 million less than the original estimate. The major reasons for this are lower than expected expenditure on services, lower than expected debt charges and an increase in interest income.

Section 11 covers the current position on the 2017-18 outline budget, which is that when the proposed growth bids, savings and additional income proposals are taken into account, there is a shortfall (gap) of £1.3 million between the likely resources and the proposed net expenditure. The major reasons for movements between 2016-17 and 2017-18 by expenditure type are set out in the report and the variances at service level are set out in Appendix 3. A summary of the growth bids and proposals for savings and additional income are set out in Appendix 4 and proposed fees and charges in Appendix 7.

Because we are not yet at the end of the budget process, the report also sets out the areas of uncertainty that will influence the final position, and how we believe a balanced budget can be achieved.

Recommendation to Executive Advisory Board (EAB):

The EAB is recommended to:

(1) Review and recommend to the Executive the adoption of the revised MTFS (Appendix 1)
(2) Note the current position on the outline budget for 2017-18
(3) Comment on the proposals to achieve a balanced budget.
(4) Comment on the proposed use of new homes bonus and other reserves to fund specific bids in line with policy
(5) Pass comments on the growth and savings bids for consideration by the Executive at its meeting on 29 November 2016
(6) Review and comment on the variances between the 2016-17 budget and the outline budget for 2017-18
(7) Review the fees and charges proposed by officers and pass comments to the Executive

Reason for Recommendation:
To assist the Executive in the preparation of the General Fund estimates for 2017-18.

1. Purpose of report

1.1 This report outlines the current position on the 2017-18 outline budget and asks the Executive Advisory Board to note the position and the proposed ways of preparing a balanced budget.

1.2 Because we are not yet at the end of the budget process, the report also sets out the areas of uncertainty that will influence the final position.

1.3 The report also proposes uses of the New Homes Bonus (NHB) in line with the NHB policy and an updated Medium Term Financial Strategy (MTFS).

2. Strategic Priorities

2.1 The budget underpins the Council's strategic framework and delivery of the Corporate Plan.

3. Background

3.1 This report will cover the following areas:

- the parameters within which the outline budget has been prepared
- assumptions on the level of Government Grant
- Council Tax, tax base and collection fund
- capital expenditure and minimum revenue provision
- use of reserves and interest earnings
- projected outturn for 2016-17
- 2017-18 to 2020-21 business planning
- draft outline budget for 2017-18
- comments of the Joint EAB Budget Working Group (JEABBWG)
- issues for the EAB to consider

4. Outline budget parameters

4.1 The outline budget has been based on the factors approved by the Executive at its meeting on 19 July 2016.

- General Inflation – 1.5% (we have included a £372,000 inflation budget to be kept centrally and bid against)
- Payroll – 1.75% (plus increments where appropriate)
- Income – 3% increase wherever possible
- Council Tax – £5 increase (approximately 3.2%)
- Business Rates Increase 2%
- Council Tax Base Increase 0.5%

4.2 The general inflation assumption reflects the Office of Budget Responsibility's (OBR) Consumer Price Index (CPI) inflation forecast for 2017-18 released in March 2016. CPI has been below 1% for some time, however, the 'Forecasts for the UK economy' issued by HM Treasury in Spetember 2016 shows that inflation is expected to rise 1.7% by March 2017 so we have retained the assumption.

5. Revenue Support Grant and Business Rates Income under the Business Rates Retention Scheme (BRRS)

5.1 The Local Government Finance Settlement (LGFS) provides each Council with a Settlement Funding Assessment (SFA). The SFA has two parts: Revenue Support Grant (RSG) and Baseline Funding Level (BFL); which represents the baseline level of business rates the Council will retain.

5.2 As part of the LGFS issued on 8 February 2016, the government released indicative settlement figures for the 4-year period 2016-17 to 2019-20 as part of an offer to local authorities of a multi-year finance settlement. The offer included a commitment by central government that the amounts included in the multi year settlement for RSG and the tariff payment made under the business rates retention scheme (BRRS) for 2017-18 and 2018-19 will not be altered for reasons related to changes in the relative needs of local authorities. However, Government stated that accepting the multi-year settlement does not offer protection from:

- the extra responsibilities and functions that might need to be accepted by local government as part of the move to 100% business rates retention;
- future transfer of functions to or between local authorities, or the impact of mergers or devolution; and
- any other unforeseen events (such as leaving the EU)

5.3 As part of the multi-year offer, central government required local authorities to publish an efficiency strategy within which the Council was expected to show how a four-year settlement will bring about opportunities for further savings, reducing reserves and where appropriate, work with public sector partners in conjunction with devolution plans. At its meeting on 19 July 2016, the Executive decided to delegate the decision on whether to accept the multi year settlement (or not) to the Chief Finance Officer, in consultation with the Lead Councillor for Finance. The Chief Finance Officer has now accepted the multi-year settlement on behalf of the Council on a conditional basis, following consultation with the Lead Councillor for Finance and Leader of the Council. The updated MTFS included at **Appendix 1** was submitted as the Council's efficiency strategy.

5.4 We have included income from the Business Rates Retention Scheme (BRRS) and Revenue Support Grant (RSG) in the outline budget at the level set out in the multi-year settlement.

5.5 It is not until we complete a government return (the NNDR1) that we will know the estimated amount of retained business rates for 2017-18 (and any levy amount) with any certainty. The return does not have to be sent to the Government until 31 January 2017 and, at present, we do not know when it intends to issue the return.

5.6 The government has recently undertaken a business rates revaluation exercise and issued a draft ratings list to each local authority in September 2016. The draft rating list shows a total increase in rateable value (RV) for the Guildford Borough list of 15.7% which is above the national average RV increase of 10.6%. The revaluation is to be made cost neutral; therefore, the business rates multiplier will be adjusted nationally by an equivalent percentage, and further adjusted to allow for future appeals. To ensure that it is cost neutral on local authorities, each authority's tariff or top up payable under the BRRS will be adjusted accordingly. The revaluation will impact upon appeals as businesses challenge their new valuations. Therefore, the Council will need to consider its provision for future appeals as part of the budget setting process, the government has indicated that it expects the appeals allowance to be between 4% and 5%. The revised tariff will be made available as part of the LGFS in December 2016.

6. Council Tax, tax base and collection fund

6.1 The outline budget assumes that council tax will increase by £5 (approximately 3.2%) This means that the band D tax will go up from £156.82 to £161.82. The increase will generate approximately £270,000 based on the 2016-17 tax base.

6.2 At present, the government sets a limit each year above which increases in council tax have to be supported by a referendum. In the past, this limit has been 2%. However, as part of the final local government finance settlement issued in February 2016 for shire district councils, this was changed to allow increases of less than 2% or up to and including £5 per Band D property, whichever is higher.

6.3 We expect the government to continue to set the same council tax referendum limit for the next four years.

6.4 The Head of Financial Services, in consultation with the Lead Councillor for Finance, will agree the council tax base for 2017-18 by 30 November 2016. A provisional amount of 55,791 has been included in the outline budget. This is 0.47% higher than the 2016-17 figure and has increased the available resources by approximately £40,800.

6.5 Any surplus or deficit on the Collection Fund in the current financial year (2016-17) feeds into the 2017-18 budget. The figures presented assume no surplus or deficit as we will not know this information until January 2017.

6.6 At present, it seems likely that there will be a surplus on the council tax element of the Collection Fund, which will help the bottom line. However, it is likely that there will be a large deficit (around £2.2 million) on the business rates element of the Collection Fund. This is mainly because of a significant increase in the appeals provision made as part of the closure of the 2015-16 accounts. Officers propose that any business rates deficit is financed from the Business Rates Equalisation Reserve. The Collection Fund position regarding Business Rates is difficult to determine prior to the completion of the NNDR1 form referred to above.

7. Capital expenditure and minimum revenue provision

7.1 The Council has a single capital programme for the General Fund that we finance from the Capital Schemes reserve, capital receipts and revenue contributions towards specific schemes. Unless we generate significant capital receipts, the Council needs to borrow from either its own resources (earmarked for other uses) or from the market; at the current time borrowing is internal as it is more financially advantageous.

7.2 Because the capital programme shows an underlying need to borrow, represented at the year-end by the capital financing requirement (CFR), there is a requirement to make a debt charge to the revenue account called the minimum revenue provision (MRP). This charge is based on the value and life of the assets funded by borrowing (internal or external). The minimum revenue provision for 2016-17 will be £354,461, which is based on a General Fund CFR at 31 March 2016 of £39.785 million. It is currently estimated that the MRP for 2017-18 will be £1.15 million. This figure was estimated at the time of preparing the medium term financial plan and will be updated as the capital programme for 2017-18 to 2020-21 progresses.

7.3 Officers are currently preparing an updated capital programme for councillors to consider early in 2017. The level of capital programme that councillors wish to support will determine the level of capital receipts used, interest earnings and MRP for 2017-18.

8. Use of Reserves and interest earnings

8.1 An important element of the Council's budget is the income it receives from investment of the cash held in reserves. The balances held at the end of the 2015-16 and the projected balances at the end of 2016-17 financial years are shown below:

Reserve	Actual 2015-16 Balance £ million	Projected 2016-17 Balance £ million
General Fund Reserves	3.7	3.7
Housing Revenue Account (HRA) Reserve	5.0	5.0
Earmarked GF Reserves	31.5	23.1
Earmarked HRA Reserves (incl MRR)	56.2	Tbc
Usable Capital Receipts Reserve (General)	3.8	Tbc
Usable Capital Receipts Reserve (housing related)	23.8	tbc
Total Usable Reserves	**124**	**tbc**

8.2 The earmarked capital reserves are being considered as the capital programme is drafted. HRA reserves are considered as part of the HRA budget. The general fund earmarked revenue reserves includes £13.4million of projected earmarked reserves which are not available for general spending because they are contingency in nature (for example the insurance reserve), or are earmarked for specific future spending such as car parks maintenance which helps even out expenditure on the general fund. The Council is also required, under accounting practice, to hold endowment funds received as developer planning contributions in earmarked reserves for the long term repairs and maintenance expenditure on Special Protection Areas (SPA) or Suitable Alternative Natural Greenspaces (SaNGs). These reserves are required to fund the revenue costs of SPA / SaNGS for 80 years. Earmarked reserves for SPA and SaNGS are projected to be £3.7million at 31 March 2017. The level of projected earmarked reserves available for general fund purposes, to support the revenue or capital budgets is therefore £6.2million.

8.3 In the current year's budget, we anticipated net interest earnings to be approximately £936,527. The estimate for net interest payable included in the outline budget for 2017-18 is £1.032 million; this was the estimate assumed in the medium term financial plan for 2017-18 at the time of setting the 2016-17 budget. The amount will be updated later in the budget cycle once the draft capital programme is prepared. The reduction in income to interest payable is around £1.9million. These figures are net of the interest paid by the General

Fund to the HRA, which is assumed to increase by £380,000 because of higher HRA balances. Base rate, which has reduced to 0.25%, is not expected to rise until the end of the medium term plan period. We will continue to keep under review the timing of possible base rate changes as the estimates process proceeds.

Proposed Use of Key Earmarked Reserves

<u>Business Rates Equalisation Reserve</u>

8.4 In 2016-17, the Council approved the use of £958,000 of the Business Rates levy (i.e., our share of any business rates income above the amount assumed by government), to fund growth in economic development, regeneration and business support services. In particular, to fund the establishment of a major projects team to support the delivery of major regeneration schemes and business development grants to start-up businesses and small and medium sized enterprises. Officers propose to continue to allocate the same amount of the business rates levy to support the ongoing cost of these services in the outline budget and the medium term financial plan.

8.5 We continue to assume that any additional income from the business rates levy over and above the amount in paragraph 8.4 will be transferred to the Business Rates Retention Reserve. The transfer is recommended for two reasons:

(a) As part of the Corporate Plan, we will undertake the redevelopment of key parts of the town centre during the business plan period. During the redevelopment schemes, we expect that our income from business rates will fall. If we contribute some of our share of the business rate levy into the business rate reserve now, we will be able to offset future reductions in business rates income from regeneration schemes in the future without impacting on council tax payers. Once developments are completed, we should experience a growth in business rates.

(b) There is significant volatility in the business rates system arising from appeals which has led to an increasing deficit on the Council's collection fund account as mentioned in paragraph 6.6 above. If the Council sets aside a share of the business rates levy into the reserve then it can continue to use the reserve to offset any collection fund deficits relating to business rates and avoid passing the impact of business rates volatility on to council tax payers.

8.6 The use of the business rates levy does carry some risk as the income is not a permanent income stream, there is a risk that in 2020 when the fair funding review and 100% business rates retention scheme are implemented, that the ability of the Council to generate levy income will cease. In addition, should business rate income fall below the Council's baseline need, a levy will not be achievable.

<u>Budget Pressures Reserve</u>

8.7 The budget pressures reserve was established in 2015 to manage the financial challenges the Council faces over the next five years and in particular, to allow us to carry forward underspends on the general fund at the end of each financial year to offset future growth pressures. Officers propose that the Council uses this reserve to offset growth bid PR406 relating to the potential loss of income during the crematorium rebuild project of £871,000 which has been submitted as part of the business planning process for 2017-18 to 2020-21 (see section 11).

New Homes Bonus Reserve

8.8 The Council adopted a new homes bonus policy in February 2016. The policy assumes that the first £1 million of NHB grant continues to support the general fund revenue budget. Any grant in excess of this amount will be allocated as follows:

(1) allocate up to 15% of the NHB grant generated from new homes, in a ward or parish where a community group or parish council has an adopted neighbourhood plan in place and the new homes were generated from a site allocated for new housing within the neighbourhood plan, to an earmarked reserve for that community group or parish council.

(2) allocate the remaining NHB to projects identified in the Council's Corporate Plan, which will directly benefit our community and where funding is requested as part of the annual business planning process. The projects may include, but will not be limited to:

(a) delivery of affordable homes
(b) delivery of the town centre regeneration plan
(c) delivery of new or improved pedestrian and cycling routes
(d) support the introduction and running costs of an electronic bike scheme
(e) delivery of new or improved bus routes
(f) delivery of transport schemes such as improvements to the A3 and new railway stations
(g) delivery of improvements to public realm, particularly along the riverside
(h) delivery of rural initiatives including crime reduction and environmental, cultural and leisure projects
(i) improve existing and create new parks and open spaces and provision of SANG
(j) delivery of a new cultural and education centre and multi-use sports facility in the town
(k) work with partners to deliver additional schools and educational facilities, health facilities, residential care, and community facilities to meet population changes and local demand
(l) improve residents access to nature and wildlife
(m) deliver projects that help implement the play, sports development and arts strategies of the Council
(n) support projects that help vulnerable people, those that are hard-to-reach and ethnic minorities to create supportive community groups and volunteer hubs to address issues of concern to them

8.9 Following submission of the 2017-18 business planning growth and capital bids (see section 11), officers propose that the following projects requesting funding in 2017-18 are funded from NHB:

(a) PR000365 - Ash road railway bridge feasibility study, £80,000
(b) PR000402 - Guildford Gyratory and approaches transport feasibility study, £120,000
(c) PR00435 - Guildford railway station platform capacity study, £100,000
(d) PR000316 - Sustainable movement corridor, £100,000
(e) PR000372 - Bedford Wharf development project, £400,000
(f) PR000248 - an amount of £500,000 is allocated to support the cost to the Council's general fund of developing of Bright Hill car park for housing

8.10 Currently Burpham is the only ward in the Borough where a community group has an adopted neighbourhood plan in place. The Burpham neighbourhood plan was adopted by the Council in April 2016. However, no new homes have been completed from sites allocated for new housing within the neighbourhood plan at this stage.

Invest to Save Reserve

8.11 The invest to save reserve exists to pump prime the up front costs of service transformation and efficiency projects, including staff redundancy costs. Costs to be funded from the invest to save reserve are often approved in year under delegated authority. **Appendix 1** details transformation projects to be carried out as part of the Council's medium term financial (efficiency) strategy to achieve savings as part of the business planning process for 2017-18 to 2020-21. If there are any up-front costs of service transformation required to achieve these savings then we will seek to fund the costs from the invest to save reserve.

9. Projected outturn for 2016-17

9.1 At total directorate level, once account is taken of offsetting contributions to reserves, the projected outturn is £1.72 million lower than the original estimate.

9.2 Net external interest receivable is £393,992 higher than estimate. The major reason for the additional projected interest is the level of balances being higher than anticipated (for example due to slippage in the capital programme) plus better returns than estimated on external funds.

9.3 The Minimum Revenue Provision, based on the Capital Financing Requirement at 31 March 2016 is £354,461. This is £260,789 lower than estimated.

9.4 The overall projected position for net expenditure is £1.78 million lower than the original estimate.

9.5 Officers will present a report on the projected outturn to Corporate Governance and Standards Committee at its meeting on 24 November 2016. However, the major movements are set out below. Where relevant, officers have taken these into account when preparing the 2017-18 outline budget:

	Higher net cost (£000)	Lower net cost (£000)
Community Services		
EMI Services (loss of grant support)	75	
Community Meals and Transport (restructure savings/grant support)		(53)
Corporate Services		
Legal Services (external legal support and specialist advice)	185	
Development Directorate		
Industrial Estates/Investment Properties		(65)
Building Control (agency costs/income)	63	
Investment Property – target exceeded		(289)
Planning Policy (salaries and consultants, and grant support)		(169)
Environmental Directorate		
On-Off Street Parking (additional income, maintenance deferral)		(288)
Electric Theatre (vacancies pending outcome of review)		(44)
Guildford House/Guildhall (re-profiling of roofing work)		(80)
Parks and Countryside (staffing restructure, repair and maintenance, change in contract arrangements)		(176)
Resources Directorate		
ICT Business and Technical services (vacancies, staff restructure)		(210)
Paymaster service (pending restructure)	51	
Insurance Revenue Account (insurance premiums)		(41)
Managing Director		
Audit, Performance and Transformation services (vacant posts)		(152)

The table above includes only items that have an impact on the bottom line and excludes additional spend financed from a reserve, an approved carry forward or items financed by savings elsewhere in the budget.

10. 2017-18 to 2020-21 Business Planning

10.1 For some years, the Council has identified a gap between available resources and projected expenditure over the medium term. To address the shortfall, we continue to pursue a programme of transformation to ensure a financially sustainable future. The transformation programme has three strands:

Commercial / traded services

10.2 Although we already have a significant base in these services, it is thought that more can be done. Any service activity traded specifically for a profit will have to be carried out through a company. In 2016, the Council set up a local authority housing company. Other potential commercial services projects, such as a commercial waste project, are in the pipeline and it is anticipated that a report proposing options for business case development will be considered by the Society EAB in Spring 2017. Any costs associated with these projects will be subject to further reports outlining the business cases in due course.

Asset investment

10.3 The Executive received a report on 2 September 2014, which set out our strategy for the investment in property assets to support our strategic priorities. The two main reasons for property investment are to increase income generated and to stimulate and encourage business growth and sustainable economic development.

10.4 The Executive approved the investment strategy and acquisition programme, including an asset investment fund of £25 million to be spent on buying new or investing in existing property assets. At that time, the anticipated annual rental income from expenditure of £25 million was £1.2 million. Following Executive approval of a capital supplementary estimate in July 2016; we have spent £40.5 million to purchase new freehold properties such as Wey House, the Billings, 1-3 Bridge Street and have re-purchased a number of long leasehold properties on Midleton Industrial Estate. As a result, we have achieved additional net rental income of £2.4 million.

10.5 For 2017-18 onwards, officers propose that the Council focuses its asset investment strategy and acquisition programme on our industrial estates strategy and regeneration schemes as set out in the emerging Town Centre Regeneration Strategy. The draft capital programme for 2017-18 to 2021-22 includes existing schemes and new bids that will require strategic acquisitions and development of property as part of the following projects:

- North Street
- Slyfield Area Regeneration Project (SARP)
- Bedford Wharf development
- Midleton Industrial Estate redevelopment and intensification strategy
- Slyfield Industrial Estate redevelopment and intensification strategy
- Redevelopment of Woodbridge Industrial Estate for housing

In addition, a bid to establish a strategic property acquisition fund and help bring forward other sites proposed for redevelopment in the Allies and Morrison town centre masterplan will be put forward as part of the capital programme for 2017-18 to 2021-22.

Fundamental service reviews (FSR)

10.6 To date, there have been reviews of Office Services, Bereavement Services, Street Cleansing, Parking and Planning (including Building Control) and Recycling More followed some of the process. A timetable for future reviews was presented to the Joint Scrutiny committee at its meeting on 17 November 2015.

10.7 Since 2015, we have brought together the corporate and service planning process, the transformation programme and financial planning as part of an overall business planning process to ensure we deliver a medium term budget to achieve the Council's corporate plan. The Council uses a programme and project management system, Verto, to hold and monitor its business plans including all the bids for capital funding, revenue growth and savings proposals.

11. 2017-18 outline budget – current position

11.1 Although it is still very early in the estimates process (the Council does not set its 2017-18 budget and Council Tax until 8 February 2017), officers are confident that we can set a balanced budget incorporating significant investment in services through growth bids largely financed from efficiently savings arising from fundamental service reviews and staffing restructures, additional income generation and use of reserves.

11.2 In order to arrive at the final budget, service managers prepare an outline budget based on existing levels of service, which is then amended for existing commitments and agreed changes relating to growth and savings.

11.3 The base outline budget position, excluding new growth and savings proposals, is projected net expenditure approximately £1.42 million more than estimated resources, assuming a £5 council tax increase. Service managers and their accountants continue to work on these figures and update them as appropriate.

11.4 The figure above includes the effect of the increase in council tax base, which has increased available resources by approximately £40,800.

11.5 At present, the figures assume no surplus or deficit on the collection fund as mentioned in paragraph 6.6.

11.6 We have included income from the Business Rates Retention Scheme (BRRS) and Revenue Support Grant (RSG) at the level stated in the multi year settlement as set out in paragraph 5.4.

Major changes from 2016-17

11.7 The estimated directorate level expenditure for 2017-18 (excluding net growth) is £23.3 million which is the same as the 2016-17 directorate level expenditure estimate of £23.3 million. However, there are some major movements within the directorates even though the expenditure has remained the same. The major variances by expenditure type, as currently identified, are given below.

Reduction in net expenditure

- £155,000 increase in income from parking due to increased footfall in the town centre
- £100,000 additional income following the redevelopment of Woodbridge Road Sports Ground (on-going capital project)
- £100,000 due to the removal of a non-achievement of rent allowance
- £370,000 reduction in expenditure due to the removal of previous growth bids for the local plan, grants to businesses, website and community energy scheme which are no longer required
- increased income of £82,000 following purchase of New House as a business incubator property
- increased income of £50,000 from provided shared WiFi in the town centre
- new income from the pop-up village

Increase in net expenditure

- £447,000 provisional increase in business rates liability for Council owned properties due to the recent business rates revaluation exercise
- £470,000 increase in costs due to payroll inflation at 1.75%
- £372,000 increase in costs due to general inflation at 1.5%
- £91,000 non-achievement of planning and building control FSR savings
- £79,000 increase in the costs of park and ride services

11.8 **Appendix 3** shows the variances at directorate level with an explanation of those above £50,000.

11.9 Net external interest payable / income is as outlined in paragraph 8.3 above.

11.10 The long term projections still indicate that a saving of around £5 million is needed over the five years to 2020-21 and officers will continue to work towards identifying the necessary savings over the medium term.

Growth bids

11.11 As in previous years, officers have submitted growth bids and proposals for savings and additional income. Corporate Management Team (CMT) evaluated the bids in September and the Joint EAB Budget Working Group (JEABBWG) discussed them at its meeting on 27 October.

11.12 **Appendix 4** is a summary of the growth bids and savings and income proposals showing the evaluation scores agreed.

11.13 These are the General Fund revenue bids. The JEABBWG will consider the capital bids at a meeting early in December, followed by the Borough EAB at its meeting on 9 January 2017. Where there are revenue consequences of capital bids these have been provisionally included in the outline budget, the currently estimated figure is £1.4million, the majority of which is proposed in section 8 to be funded from reserves.

11.14 Any comments made about the bids by the JEABBWG are included in section 12 below and the EAB's comments will be circulated to the Executive after this meeting.

11.15 Once the proposed growth, savings and income are taken into account the current position on the outline budget (see Appendix 2) is as follows:

	£'000
Net position on the general fund before growth, savings and income bids	**1,423**
Growth Bids	2,432
Savings Bids	(1,115)
Income generation Bids	(1,282)
20% non-achievement allowance for growth bids	(152)
Net position on the general fund after growth, savings and income bids	**1,306**

11.16 It is possible that service managers will submit additional bids before the budget process is finished in February. Officers will update the Executive at its meeting in January 2017.

11.17 There is currently a gap between estimated expenditure and income in the outline budget of £1.3million. Officers suggest the following potential actions for reducing the gap:

(a) inclusion of the council tax surplus on the Collection Fund (estimate £100,000)
(b) inclusion of revised interest and MRP estimates following production of the draft capital programme and treasury management strategy (estimate £500,000)
(c) reduce general inflation assumption to 1% (estimate £120,000)
(d) reduce payroll inflation assumption to 1.5% (estimate £70,000)
(e) increase FSR / staff savings target – this could be a risk as a target of £436,000 is already proposed on top of a 4% vacancy target
(f) include a target for commercial services transformation workstreams
(g) reduce the level of growth proposed (excluding bids proposed to be funded from reserves)
(h) further use of reserves – as a temporary measure where projects to achieve savings have started but have not completed

Fees and Charges

11.18 **Appendix 7** shows the fees and charges proposed by service managers for 2017-18. The target increase agreed by the Executive was 3% but councillors will see that there is a wide variance in the percentage increases proposed. This is because service managers have discretion to take into account the market within which their services operate when proposing fee increases. The estimated income included within the outline budget is based on these proposed charges.

12. Comments of Joint EAB Budget Working Group

12.1 The JEABBWG discussed the growth bids in detail at its meeting on 27 October 2016. In several cases, it requested clarification on the written bid, or had questions for officers. Some of these queries were answered at the meeting but for others the officers present had to refer the queries to other service managers. **Appendix 4** lists the JEABBWG queries. The queries in relation to the individual bids listed below have been answered through officers revising the bids and providing supporting information:

- PR365 – Ash road bridge feasibility study
- PR435 – Guildford Platform capacity scheme
- PR443 – Parks playground repairs and maintenance

12.2 The JEABBWG were supportive of all the bids and savings/income proposals.

13. Equality and diversity implications

13.1 There are no equality or diversity implications as a result of this report. Where changes to services are included within the budget the service managers will carry out the relevant equality impact assessments as part of the changes.

14. Financial implications

14.1 The financial implications are considered throughout the report.

15. Legal implications

15.1 The Council is required by legislation to set a balanced budget

16. Human Resources implications

16.1 There are no immediate human resource implications because of this report. Officers will address any changes in the level of resources as a result of growth or savings initiatives as the changes are implemented.

17. Issues for Executive Advisory Board

17.1 The Board is invited to offer comments on the budget to Executive, in particular:

(a) on the medium term financial strategy (Appendix 1)
(b) on the variances in section 11 and Appendix 3 between the 2016-17 budget and the 2017-18 outline budget
(c) in support of, or against, any of the proposed growth bids and proposals for savings or income (Appendices 4 and 5)
(d) on the proposed use of the new homes bonus, business rates equalisation and budget pressures reserves (paragraph 8.4 to 8.11)
(e) on the suggested ways, outlined in paragraph 11.20 that officers propose to balance the budget for 2017-18
(f) review and comment on the proposed fees and charges (Appendix 7)

18. Conclusion

18.1 At this stage in the budget process there is, inevitably, a gap between the projected net expenditure for 2017-18 (including growth bids) and our estimated resources. We will not know if there are any revisions to the local government finance settlement until late December, along with the impact, if any, of the business rates revaluation on our income and the final capital programme. However, officers are confident that we can deliver a balanced budget for 2017-18.

18.2 The medium term financial plan position remains challenging and we estimate that we will need to find savings of approximately £5 million over the period to 2020-21.

20. Background Papers

None

21. Appendices

Appendix 1: Medium Term Financial Strategy
Appendix 2: General Fund summary
Appendix 3: Variances between 2016-17 estimate and 2017-18 outline budget at service level
Appendix 4: Summary of growth bids and proposals for savings and additional income, including queries raised by JEABBWG
Appendix 5: Individual bids
Appendix 6: Additional information for bid PR443 – Parks playground repairs and maintenance requested by the JEABBWG
Appendix 7: Proposed 2017-18 fees and charges